

**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
dba ASJ-US**

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3-4
Financial Statements:	
Statements of Financial Position	5
Statement of Activities:	
- Year Ended July 31, 2021	6
- Year Ended July 31, 2020	7
Statement of Functional Expenses:	
- Year Ended July 31, 2021	8
- Year Ended July 31, 2020	9
Statements of Cash Flows	10
Notes to Financial Statements	11-22

MONROE, SWEERIS & TROMP P.L.C.

Certified Public Accountants and Consultants

January 25, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Association for a More Just Society - U.S.
Grand Rapids, Michigan

We have audited the accompanying financial statements of Association for a More Just Society - U.S. (dba ASJ-US) (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association for a More Just Society - U.S. as of July 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Monroe, Sweetis + Tromp

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	July 31,	
	2021	2020
CURRENT ASSETS:		
Cash (Note 11)	\$ 598,498	\$ 644,580
Unconditional promises to give (Note 5)	65,000	50,000
Prepaid expenses	3,903	8,630
TOTAL CURRENT ASSETS	667,401	703,210
PROPERTY AND EQUIPMENT (NOTE 6)	4,700,370	4,807,668
OTHER ASSETS:		
Restricted deposits (Note 11)	54,349	54,349
Unconditional promises to give (Note 5)	110,973	160,823
Capital campaign financial assets:		
Unconditional promises to give (Note 5)	-	163,011
TOTAL OTHER ASSETS	165,322	378,183
	\$ 5,533,093	\$ 5,889,061

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	July 31,	
	2021	2020
CURRENT LIABILITIES:		
Accounts payable	\$ 14,202	\$ 7,017
Accrued expenses	22,446	38,344
Grants payable (Note 8)	144,750	131,250
Deferred rent revenue	60,000	60,000
Current maturities of long-term debt (Note 7)	404,935	612,644
TOTAL CURRENT LIABILITIES	646,333	849,255
LONG-TERM LIABILITIES:		
Tenant's security deposit (Note 11)	30,000	30,000
Accrued interest (Note 7)	-	36,165
Long-term debt - net of current maturities (Note 7)	1,177,752	1,546,521
TOTAL LONG-TERM LIABILITIES	1,207,752	1,612,686
TOTAL LIABILITIES	1,854,085	2,461,941
COMMITMENTS (NOTE 9)		
NET ASSETS (NOTE 10):		
Without donor restrictions		
Undesignated	3,488,247	3,221,310
Legacy designated fund	13,261	-
With donor restrictions	177,500	205,810
TOTAL NET ASSETS	3,679,008	3,427,120
	\$ 5,533,093	\$ 5,889,061

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 2,060,543	\$ 15,000	\$ 2,075,543
Rental income (Note 3)	360,000	-	360,000
Paycheck Protection Program loan forgiveness (Note 7)	33,500	-	33,500
Other income	11,536	-	11,536
	2,465,579	15,000	2,480,579
Net assets released from restrictions	43,310	(43,310)	-
TOTAL SUPPORT AND REVENUE	2,508,889	(28,310)	2,480,579
EXPENSES:			
Program services	1,956,468	-	1,956,468
Supporting activities:			
Management and general	98,187	-	98,187
Fundraising	174,036	-	174,036
Total supporting activities	272,223	-	272,223
TOTAL EXPENSES	2,228,691	-	2,228,691
CHANGE IN NET ASSETS	280,198	(28,310)	251,888
NET ASSETS, beginning of year	3,221,310	205,810	3,427,120
NET ASSETS, end of year	\$ 3,501,508	\$ 177,500	\$ 3,679,008

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 2,559,320	\$ 205,810	\$ 2,765,130
Rental income (Note 3)	210,000	-	210,000
Other income	6,316	-	6,316
	2,775,636	205,810	2,981,446
Net assets released from restrictions	2,870,025	(2,870,025)	-
TOTAL SUPPORT AND REVENUE	5,645,661	(2,664,215)	2,981,446
EXPENSES:			
Program services	2,453,658	-	2,453,658
Supporting activities:			
Management and general	79,728	-	79,728
Fundraising	121,854	-	121,854
Total supporting activities	201,582	-	201,582
TOTAL EXPENSES	2,655,240	-	2,655,240
CHANGE IN NET ASSETS	2,990,421	(2,664,215)	326,206
NET ASSETS, beginning of year	230,889	2,870,025	3,100,914
NET ASSETS, end of year	\$ 3,221,310	\$ 205,810	\$ 3,427,120

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2021

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
EXPENSES:				
Grants and project expenses	\$ 1,449,091	\$ -	\$ -	\$ 1,449,091
Salaries and wages	171,816	35,645	115,107	322,568
Depreciation	107,298	-	-	107,298
Interest expense	89,110	-	-	89,110
Professional fees	19,250	44,417	-	63,667
Office expenses	32,948	4,475	18,340	55,763
Employee benefits	18,811	5,242	12,838	36,891
Payroll taxes	13,052	2,726	8,804	24,582
Insurance	16,112	428	999	17,539
Loss on uncollectible pledges	13,500	-	-	13,500
Electronic giving fees	-	-	10,883	10,883
Justice promotion	7,590	-	562	8,152
Education and events	3,735	306	2,383	6,424
Bank fees	3,811	838	-	4,649
Donor database	2,120	636	1,484	4,240
Conferences and meetings	3,060	215	729	4,004
Occupancy	1,860	558	1,302	3,720
Board meetings	-	2,442	-	2,442
Property taxes	2,334	-	-	2,334
Travel	970	259	605	1,834
TOTAL EXPENSES	\$ 1,956,468	\$ 98,187	\$ 174,036	\$ 2,228,691

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
EXPENSES:				
Grants and project expenses	\$ 1,891,814	\$ -	\$ -	\$ 1,891,814
Salaries and wages	138,122	19,497	65,736	223,355
Depreciation	62,591	-	-	62,591
Interest expense	60,369	-	-	60,369
Professional fees	2,280	35,605	-	37,885
Office expenses	28,387	3,521	8,116	40,024
Employee benefits	13,905	4,996	9,883	28,784
Payroll taxes	10,785	1,198	5,042	17,025
Insurance	13,756	3,037	-	16,793
Loss on uncollectible pledges	600	-	-	600
Electronic giving fees	-	-	12,337	12,337
Justice promotion	14,651	-	-	14,651
Education and events	1,652	827	1,652	4,131
Bank fees	5,230	321	-	5,551
Donor database	1,215	1,215	1,620	4,050
Conferences and meetings	11,829	1,500	727	14,056
Occupancy	-	3,720	-	3,720
Board meetings	-	4,024	-	4,024
Travel	154,314	41	2,688	157,043
Contracted labor	42,158	-	14,053	56,211
Dues	-	226	-	226
TOTAL EXPENSES	\$ 2,453,658	\$ 79,728	\$ 121,854	\$ 2,655,240

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENTS OF CASH FLOWS

	Year Ended July 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 251,888	\$ 326,206
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Noncash reconciling items:		
Depreciation expense	107,298	62,591
Paycheck Protection Program loan forgiveness	(33,500)	-
Note payable (nonrecourse term loan) forgiveness	(105,095)	-
Loss on uncollectible pledges	13,500	-
Changes in operating assets and liabilities:		
Unconditional promises to give	34,361	(210,823)
Prepaid expenses	4,727	13,389
Accounts payable	7,185	(1,026)
Accrued expenses	(15,898)	52,024
Grants payable	13,500	(43,050)
Deferred rent revenue	-	58,100
Tenant security deposits	-	30,000
Net cash provided by operating activities	277,966	287,411
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(944,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital campaign contributions and promises to give	150,000	198,096
Proceeds from long-term debt	-	33,500
Payments on long-term debt	(474,048)	(367,838)
Net cash used in financing activities	(324,048)	(136,242)
CHANGE IN CASH AND RESTRICTED DEPOSITS	(46,082)	(793,131)
CASH AND RESTRICTED DEPOSITS, beginning of year	698,929	1,492,060
CASH AND RESTRICTED DEPOSITS, end of year	\$ 652,847	\$ 698,929

Supplemental disclosure of cash flow information (Note 11).

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION

Association for a More Just Society - U.S. (dba ASJ-US) (Association), an Illinois not-for-profit corporation, was incorporated on June 23, 2000. The Association is a Christian organization working to achieve social justice for the poorest and most vulnerable members of Honduran society by targeting macro level issues of injustice. The Association is primarily supported by contributions from the general public.

The objectives of the Association include promoting the interest of the poorest in legislative projects, defending the rights of the most vulnerable in judicial processes, increasing the awareness and democratic participation of churches to practice the Biblical teachings on justice, and publishing journalistic investigations on issues that affect the poor of Honduras. Current programs focus on promoting peace, justice, and the transformation of society and government in Honduras. A significant portion of the operations of the Association is dedicated to supporting our partner organization the Asociación Para Una Sociedad Más Justa (ASJ-Honduras), based in Tegucigalpa, Honduras. During 2021 the Association adopted the dba ASJ-US to align the Association's name with its partner in Honduras.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Foreign Currency

Substantially all transactions occurring at the Association's foreign activities are translated at exchange rates in effect when purchased and incurred. Substantially all foreign transactions are paid on demand causing no foreign currency translation gains and losses upon payment of liabilities and purchased assets.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

The Association recognizes contributions when cash, securities or other assets; unconditional promises to give; or a notice of beneficial interest is received. Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or the nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. Contributions of cash restricted to the purchase or construction of property and equipment are reported as net assets with donor restrictions and are considered to expire when the assets are placed in service. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recognized as both contribution revenue and either program expense or property and equipment at their fair values at the time of the gift.

Rental income from operating leases is recognized on a straight-line basis over the lease term.

Contributions Receivable

The Association has received unconditional promises to give arising from pledges from individual donors which are recorded as contributions receivable in the statements of financial position. Unconditional promises to give are recognized as revenues or gains in the period received and as either assets or decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give are initially recorded at fair value and are stated net of an allowance for estimated uncollectible promises based on historical experience and other factors. Conditional promise to give (that is, those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend are met. Promises to give at year end are deemed to be implicitly restricted for a subsequent period.

The amount of the receivable is based on an estimate of future cash flows and due to unknown factors affecting individual donors and grantors, it is possible that the estimated future cash flows of the contribution receivable could increase or decrease by a significant amount in the near term.

Management has evaluated contributions receivable for collectability and no allowance for uncollectible amounts was established as management deems them to be fully collectible.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash - Capital Campaign

Cash received for the purpose of generating capital to fund construction in progress (capital campaign) has been classified as other asset due to donor-imposed restrictions and debt financing limiting its use to long term purposes (property and equipment).

Income and Sales Tax

The Association is exempt from federal income taxes as a non-profit organization under Internal Revenue Code Section 501(c)(3) and applicable state law. In addition, the Association qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under section 509(a)(2). Management believes that the Association does not have any uncertain tax positions that would be material to the financial statements.

The Association is obligated to pay 15% sales tax in Honduras on all rental income collected from non-exempt Honduran entities. This amount is collected from the lessee concurrently with the payment of rent. Whenever the Association pays this same sales tax to other vendors in Honduras for separate services, they may reduce their obligation to the Honduran government by an equal amount. The net amount is paid by the Association to the Honduran government before the 15th of the month following the one in which rent is collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. While management believes it has consistently applied its best judgement in those areas requiring estimates, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at time acquired, if donated, and once placed in service are depreciated under the straight-line method over their estimated economic useful lives. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs, and minor renewals are charged to operations as incurred.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The value of certain donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers, including board members, have donated amounts of their time to the Association's operations.

Advertising Costs

The Association expenses advertising costs as they are incurred.

Methods Used for Allocation of Expenses Among Program and Supporting Services

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expenses and occupancy, which are allocated on the basis of usage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Subsequent Events

For the year ended July 31, 2021, the Association has evaluated subsequent events for potential recognition and disclosure through January 25, 2022, the date the financial statements were available to be issued.

NOTE 3 - RENTAL INCOME

The Association leases a building to a partner organization in Honduras under a noncancelable operating lease with a term of eight years and requiring quarterly payments of \$90,000 through December 31, 2027. The following is a schedule by years of future minimum rentals under the leases at July 31, 2021:

<u>Year ending July 31:</u>	
2022	\$ 360,000
2023	360,000
2024	360,000
2025	360,000
2026	360,000
2027	360,000
2028	90,000

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4 - RISK CONCENTRATION

Cash

In the normal course of business, the Association may have on deposit with a single institution in excess of FDIC insured limits. While cash balances at times may exceed the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Association has not experienced, nor does it anticipate, any loss of funds. There was \$323,890 and \$88,874 exceeding federal insurance limits at July 31, 2021 and 2020, respectively. Additionally, the Association has cash accounts in Honduras that are covered by Honduras deposit insurance (FOSEDE).

Foreign Operations

A significant portion of the operations of the Association is dedicated exclusively to raising funds and awareness for Asociación Para Una Sociedad Mas Justa, based in Tegucigalpa, Honduras. A significant amount of the Association's activities are located in Honduras. It is reasonably possible that operations could be disrupted at any time.

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE

The Association has received pledges for general operating support and special projects. The Association also had a pledge giving program for the purpose of generating additional capital to fund construction in progress (capital campaign) which are classified as other assets due to the restriction of being invested in long-term assets (property and equipment).

Contributions receivable are recorded net of a present value discount factor of 0.3% and are expected to be fully collectible. The amount of the receivable is based on an estimate of future cash flows and due to unknown factors affecting individual donors, it is possible that the estimated future cash flows of contributions receivable could increase or decrease by a significant amount in the near term. Management believes that the asset value reflected in the statements of financial position approximates the fair value of these receivables at year end.

Pledges are presented in the statement of position with the following restrictions at their net present value:

	July 31,	
	2021	2020
General operating support	\$ 160,973	\$ 210,823
Capital campaign	-	163,011
Strengthening the Honduran healthcare system	15,000	-
	<u>\$ 175,973</u>	<u>\$ 373,834</u>

Note 5 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Pledges receivable are expected to be collected as follows:

	July 31,	
	2021	2020
Amounts due in:		
One year or less	\$ 65,000	\$ 213,500
Two to five years	112,500	162,500
	177,500	376,000
Less present value discount	(1,527)	(2,166)
Net present value of contributions receivable	<u>\$ 175,973</u>	<u>\$ 373,834</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment is located in Tegucigalpa, Honduras and consists of the following:

	July 31,	
	2021	2020
Land	\$ 720,020	\$ 720,020
Building	4,114,037	4,114,037
Equipment	36,202	36,202
	4,870,259	4,870,259
Less accumulated depreciation	(169,889)	(62,591)
Net property and equipment	<u>\$4,700,370</u>	<u>\$4,807,668</u>

Association for a More Just Society - US constructed a new office in Tegucigalpa which is the primary office space for the growing staff of our partner organization the Asociación para una Sociedad Más Justa. More than an office, this building is a home for those who seek justice and those who are working to achieve it – it is a space where leaders in government, civil society, and social movements can convene around the big ideas that will transform Honduras. This building is a safe and permanent space, a visible commitment to this place and to this work. Excavation of the land began in April 2018, and the construction completed in December 2019. Dedication of the building was held in January 2020.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 - NOTES PAYABLE

The Association has notes payable for the purpose of generating additional capital to fund the building in Honduras. Notes payable consist of:

	July 31,	
	2021	2020
Unsecured note payable (nonrecourse term loan) to seven individuals requiring quarterly payments beginning October 2019, bearing interest at 5% and maturing April 2026.	\$ 755,571	\$ 885,437
Unsecured note payable (nonrecourse term loan) to two individuals accruing interest only at 5% until July 2020. Thereafter principal and accrued interest of \$36,165 was combined and requires quarterly payments beginning October 2020, bearing interest at 5% and maturing April 2027. During the year-end July 31, 2021, the Association received forgiveness on \$105,095 of the nonrecourse loan and related accrued interest of \$6,735. This has been recognized by the Organization as a gift and is included in contribution income.	654,684	814,979
Unsecured notes payable (bridge loans) to seven individuals and foundations which requires annual payments of principal plus interest at 3.5% and maturing at various dates from June 2021 through May 2022.	172,432	425,249
Note payable under the Paycheck Protection Program administered by the Small Business Administration bearing interest at 1% and maturing April 2022. The loan is uncollateralized and guaranteed by the federal government. The Association used all the proceeds from the note for qualifying expenses and received forgiveness of the note in April 2021. The loan forgiveness is recognized as revenue from forgiveness of loan for the year ended July 31, 2021.	-	33,500
	1,582,687	2,159,165
Less current maturities	(404,935)	(612,644)
	<u>\$1,177,752</u>	<u>\$1,546,521</u>

Note 7 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 - NOTES PAYABLE (CONTINUED)

Notes payable include \$728,519 and \$823,803 at July 31, 2021 and 2020, respectively, payable to individuals who serve as directors of the Association.

Future scheduled maturities of long-term debt are as follows:

<u>Year ending July 31:</u>	<u>Total Principal Amount Due</u>
2022	\$ 404,935
2023	244,348
2024	256,796
2025	269,878
2026	283,627
2027	123,103
	<u>\$1,582,687</u>

NOTE 8 - GRANTS PAYABLE

The Association has awarded a grant in support of Asociación para una Sociedad Más Justa, a Honduran organization, in the amount of \$1,435,000 and \$1,870,000 for the calendar years 2021 and 2020, respectively, of which \$144,750 and \$131,250 is payable at year-end July 31, 2021 and 2020, respectively. Grants payable are expected to be paid in less than one year.

NOTE 9 - COMMITMENTS

Leases

The Association leases office space on a month-to-month basis under an operating lease agreement requiring monthly payments of \$310 and expiring June 30, 2022. Rent expense under current and expired leases was \$3,720 for each of the years ended July 31, 2021 and 2020, respectively.

Note 9 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 9 - COMMITMENTS (CONTINUED)

Retirement Plans

The Association has established a SIMPLE IRA plan which allows for matching contributions up to 3% of compensation paid to U.S. employees. Contributions and administrative expenses of the plan were \$6,997 and \$4,397 for the years ended July 31, 2021 and 2020, respectively.

Self-Insured State Unemployment Fund

In accordance with state law, Association for a More Just Society has elected to be a reimbursing employer for state unemployment tax purposes. In lieu of quarterly tax contributions, the Organization will reimburse the state dollar for dollar for all unemployment claims made. State law requires the establishment of a letter of credit or surety bond as guarantee of payment under this program.

NOTE 10 - NET ASSETS

During the year end July 31, 2021, the Board established a policy to set aside unrestricted estate gifts into a legacy program where the funds are stewarded through a seven-year spend-down program utilizing 10% of the funds in the year an estate gift is received and 15% of the funds in each of the following six years. The balance of legacy designated funds was \$13,261 at July 31, 2021.

Net assets with donor restrictions are restricted for the following purposes:

	July 31,	
	2021	2020
Honduras leadership support	\$ 162,500	\$ 200,000
Strengthening Honduran healthcare	15,000	-
Pandemic (COVID-19) relief	-	5,810
	<u>\$ 177,500</u>	<u>\$ 205,810</u>

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - CASH AND RESTRICTED DEPOSITS

Restricted Deposits

The Association holds tenant security deposits in a Honduran bank account equal to the amount of the full security deposit in Honduran lempira.

The national electrical utility company in Honduras (ENEE) requires the Association to maintain a security deposit with regard to electrical services for the building in Tegucigalpa. This security deposit is maintained in a separate bank account and is required as long as the Association receives electrical services from the company.

Disclosure of Cash Flow Information

The following table provides a reconciliation of cash, restricted deposits and capital campaign cash reported within the statements of financial position of that sum to the total of the same such amount shown in the statements of cash flows:

	July 31,	
	2021	2020
Cash	\$ 598,498	\$ 644,580
Restricted deposits	54,349	54,349
	<u>\$ 652,847</u>	<u>\$ 698,929</u>

The following are supplemental disclosures to the statements of cash flows:

	Year Ended July 31,	
	2021	2020
Non-cash activity:		
Capitalized interest	\$ -	\$ 48,826
Interest expense	89,110	60,369
Interest accrued	46,142	(37,604)
Interest forgiven by lender	(6,735)	-
Interest financed to long-term debt	(36,165)	-
Cash paid for interest	<u>\$ 92,352</u>	<u>\$ 71,591</u>

Noncash financing activities includes loan forgiveness of \$33,500 under the Paycheck Protection Program and \$105,095 of nonrecourse term loan forgiven and contributed to the Association.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets available for general expenditure within one year, reduced by amounts not available for general use because of board designations, contractual or donor-imposed restrictions:

	July 31,	
	2021	2020
Cash and restricted deposits	\$ 652,847	\$ 698,929
Unconditional promises to give (operating pledges)	175,973	210,823
Less amounts unavailable for general expenditure		
within one year due to:		
Contractual obligations	(54,349)	(54,349)
Donor imposed purpose restrictions	(177,500)	(205,810)
Board designated legacy gifts to be used in more		
than one year	(11,272)	-
Financial assets available for general use within one year	<u>\$ 585,699</u>	<u>\$ 649,593</u>

Because donor restrictions require resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets are not available for general expenditure within one year. Financial assets available for general use exclude board designated funds that are intended to be used for legacy fund in more than one year and therefore are not available for general use in the current period. In the event that an unanticipated need arises, the board designated funds could be made available for general expenditures. Additionally, financial assets generated for the capital campaign have been excluded from financial assets available for general use within one year.

As part of the Association's liquidity management, the Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Board has established a policy to maintain three months' operating expenses plus a quarter of annual debt payments as a cash reserve, which was approximately \$400,000 as of July 31, 2021. The cash reserve may go below the three-month reserve with finance committee approval and board notification.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 13 - GLOBAL PANDEMIC

As of July 31, 2021, the Association had endured over a year of the COVID-19 pandemic. As a result of uncertainty resulting from the global pandemic, the Association received a loan of \$33,500 under the Paycheck Protection Program administered by the Small Business Administration (see Note 7). In response to executive orders and precautionary measures to combat the spread of the coronavirus, the Association ended all in-person events and travel.

Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the financial position, net assets and cash flows of the Association. No adjustments have been made to these financial statements as a result of these uncertainties. Management continues to monitor the Association's current financial condition, liquidity sources available, obligations due and funding sources necessary to operate in light of the global pandemic.